

NEWS RELEASE

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SBA FINAL RULE ON ‘CONTRACT BUNDLING’ GIVES SMALL FIRMS STRONG PROTECTION

WASHINGTON – The U.S. Small Business Administration (SBA), along with the Federal Acquisition Regulatory Council, will issue a final regulation today that will provide American small businesses with more opportunity for participation in the \$200 billion a year government contracting market. The new rule is aimed at the practice of contract bundling, the consolidation of two or more procurement contracts into a single contract.

“Under the new regulation,” explained SBA Administrator Aida Alvarez, “federal agencies will have to demonstrate that bundling contracts will produce ‘measurably substantial benefits’ in reduced costs, shorter acquisition time, or more favorable terms and conditions. If not, the contracts will be unbundled, allowing small businesses to compete.”

Agencies will be required to conduct an analysis, quantify and document the benefits before contracts can be combined. While bundled contracts may include improvements in any of five separate areas, they must result in:

- Benefits equivalent to 10 percent if the contract value including options is \$75 million or less; or
- Benefits equivalent to five percent of the contract value, or \$7.5 million, (whichever is greater) if the contract including options is over \$75 million.

Only the most senior officials within a federal agency can make the determination to allow a bundled contract to proceed if it fails to meet the benefit analysis requirements. To justify the action, that official must determine that the contract consolidation is critical to the success of the agency’s mission. Even if the bundled contract is allowed, the agency must put in place a procurement strategy that ensures the maximum small business participation possible.

The bundling rules also establish clear guidelines for small businesses to joint venture the bundled contracts. Under the old rule, small businesses banding together were sometimes disqualified because the resulting new employee count or combined revenues would exceed SBA’s definition of a small business.

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The rule will appear in tomorrow's Federal Register and will be effective immediately.

Codifying the contract bundling rule is just the latest in a series of Clinton-Gore Administration accomplishments to ensure that small businesses benefit from acquisition reform. Since the beginning of the Clinton-Gore Administration, small businesses have secured more than \$290 billion in federal government contracts, with small disadvantaged businesses, including SBA's 8(a) firms, earning over \$71 billion. Women-owned businesses obtained about \$23 billion.

In fiscal year 1998, the set-aside goal for small business contracts increased from 20 to 23 percent of all federal prime contracts. That goal was achieved in 1998 and 1999.

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